



Moving Away From Crisis?: Alternatives in Financing Child Welfare Services in Connecticut Executive Summary

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This report, the second in a two-part series, explores some of the financing options that are available to Connecticut to create a more cost-effective, child- and family-supportive child welfare system. The first part of this series, *Careening Toward Crisis: State and Federal Funding of Child Welfare Services in Connecticut* (CT Voices for Children, 2005), documented how the state's current funding of child welfare-related services forces families, as well as Connecticut's Department of Children and Families (DCF), toward crisis. Our current allocation of TANF, Title IV-B and IV-E, Medicaid, and other federal and state funds fails to adequately support children and families who are at-risk until they hit crisis. Additionally, when DCF decides it is necessary to remove children from their homes because of parental abuse or neglect, it relies excessively on more expensive out-of-home and institutional placements than on comprehensive home- and community-based services that could help maintain children safely in their families and communities.

The causes of this crisis include imprudent state budget choices, rigid federal financing rules that "stifle innovation and severely restrict spending federal dollars on services that could help reduce the number of children in foster care,"¹ and the state's failure to take full advantage of what flexibility does exist in current federal financing rules for Title IV-E and Medicaid.

Maximizing Federal Medicaid Reimbursements and Expanding Home And Community-Based Services

Increasing federal reimbursement for Medicaid services could help to free up state dollars for home- and community-based services that are funded largely by state dollars now. There are two major reasons Connecticut should urgently pursue additional Medicaid federal reimbursements now. The first is that the state needs to address the current services deficit in the FY 06 budget that begins July 1, 2005 which is estimated to be between \$600 million (OFA estimate) and more than \$1 billion (Governor's estimate). Claiming federal matching funds for services that are wholly state-funded now (e.g., state-funded HUSKY for children under the care of DCF) can free up state dollars for other urgently needed programs, including home- and community-based services, that might otherwise be vulnerable to the budget cuts.

The second reason has to do with the federal budget debate now taking place in Congress. To address the surging federal deficit, Congress this year is debating the future of the Medicaid program. The federal government has been interested in restricting federal funding through such mechanisms as a block grant. If a block grant program were enacted, the funding formula for the block grant might be tied to a particular year or years in the past to determine a baseline for the federal block grant. It is in Connecticut's interest

¹ J. McDonald, N. Salyers, & M. Shaver, *The Foster Care Straitjacket: Innovation, Federal Financing & Accountability in State Foster Care Reform* (Fostering Results, March 2004), available at: www.fosteringresults.org.

then to ensure that the base line funding level is as high as possible to obtain a fair share of federal funds under a block grant.

Current Medicaid law authorizes a variety of strategies that would enable Connecticut to increase federal Medicaid matching funds for child welfare services. Some have been adopted by DCF and the Department of Social Services (DSS, Connecticut's lead Medicaid agency), while others have not yet been embraced. To increase federal Medicaid reimbursement and free state funds for home- and community-based services, Connecticut could:

- **Require DCF and DSS to expedite the process of enrolling eligible children and youth in Medicaid, thus reducing the time period that Medicaid coverage is paid for by state-only funds.** This can be accomplished by a) stationing a DSS worker at DCF regional offices to make the Medicaid eligibility determination; and b) designating DCF a “qualified entity” able to provide immediate, temporary Medicaid eligibility to children entering DCF care if presumptive eligibility is re-established.
- **Change state regulations to allow the state to pay providers, such as child guidance clinics, on a fee-for-service rather than a grant-funded basis as is done now.** Grant-funded services are not eligible for federal reimbursement, while fee-for-service payments would allow the state to claim federal reimbursement. A fee-for-service structure would allow providers to bill for a range of home-and community-based services, such as care coordination, and would foster greater accountability.
- **Expand health coverage and services to children and youth in the care of DCF (and bring in greater federal reimbursement) by**
 - Providing outreach to expand enrollment in the new Medicaid coverage groups: to children and youth in subsidized adoptions who are not currently Medicaid eligible and to those aging out of the foster care system.
 - Covering certain care provided in private non-medical institutions other than those already covered, such as Connecticut Children's Place and High Meadows
 - Covering home- and community-based services through the “rehabilitative services option,” which can provide federal reimbursement for a range of community services for children and youth. By utilizing this option, the state can extend more in-home and community based clinical services to children in need of mental health treatment.
 - Covering certain DCF administrative expenses through the Medicaid targeted case management option, which is available to help children who are eligible for Medicaid, which includes most children under DCF care, to obtain access to necessary care and services, and coordinate their access to health, social, and developmental services.
 - Providing Medicaid coverage through the Medicaid eligibility option known as TEFRA to children with serious mental disorders who are at risk of placement into institutional settings and/or DCF involvement, enabling them to receive needed home and community-based services to avoid institutional placement.
- **Seek a federal Medicaid waiver program to provide appropriate and cost-effective home and community based services to children as an alternative to institutionalization.** Home-

and Community-Based Medicaid waivers allow Medicaid to pay for home- and community-based care for children with mental disabilities to avert institutionalization.

Loosening the Federal Financing “Straitjacket”

Title IV-E of the Social Security Act provides federal reimbursement to Connecticut for foster care assistance, adoption assistance, and independent living services, as well as for associated costs for administration and management, staff training, and the recruitment and training of foster and adoptive parents. Currently, a little more than half the children in DCF care (54%) have been determined to be Title IV-E eligible, allowing DCF to claim federal reimbursement for a share of their costs of care.

Because Title IV-E funding is an unlimited entitlement that grows lock-step with increased out-of-home placements and increased out-of-home care costs, while funding for the non-Title IV-E programs has remained relatively static, federal funding is now essentially *rewarding* out-of-home placements, while undermining efforts to keep children with their families.

The inflexibility in the allowable uses of Title IV-E funding is one key problem. For example:

- A significant number of Connecticut children and youth are placed into foster care *not* on account of parental abuse, but to obtain mental health services that are not otherwise available for the children. Others are placed for reasons associated with family poverty (e.g., homelessness).² Yet, Title IV-E funds cannot be used to provide services to avert placements for such reasons, *nor* to provide mental health and foster family support services that could reduce placement moves for children once in foster care.
- Although the federal government expects DCF to reduce the length of time a child spends in foster care prior to reunification with a parent, such reunification usually requires that a set of services be provided to the parent to address the problem that caused the removal. Yet Title IV-E funds cannot be used to fund such services.

Options to Increase Title IV-E Claiming Under Existing State and Federal Law

Multiple performance evaluations by Connecticut’s Auditors of Public Accounts have examined DCF’s efforts to claim federal reimbursements under Title IV-E for costs associated with our foster care and adoption assistance programs. In two audit reports, the Auditors found that Connecticut could have gained substantial additional federal reimbursements under Title IV-E for foster care maintenance payments, adoption subsidy payments, and DCF’s related administrative costs *but for* apparent administrative deficiencies. The auditors found that an additional \$8.18 million could have been claimed in FY 99, and \$6.72 million more in FY 01. The two reports made a series of recommendations to improve administrative procedures to maximize Title IV-E claiming, including various strategies to improve IV-E

² DCF Deputy Commissioner Stacy Gerber reported at a forum on Education and Housing (held at the Lyceum in March 2005) that 30% or more of children now in DCF custody *could be returned* to their families if the families had adequate housing. Analysis of how funds from DCF’s flexible “emergency needs” account have been spent document the extent to which these funds are being used to address issues of family poverty, not parental abuse. Juan F. Court Monitor’s Office, *The Overwhelming Majority of Flex Funds are Used to Meet Essential Needs of DCF Clients: The Findings of the Juan F. Court Monitor’s Office Regarding the Use of Flex Funds Expended April-August 2004* (October 2004), p. 17.

required documentation of court proceedings, inclusion of IV-E mandated information in the child's case record, and more timely IV-E eligibility determinations. .

Options To Gain Greater Flexibility in the Use of Title IV-E Funds

There are two basic ways to gain greater flexibility in the use of Title IV-E funds so the funds can more effectively support efforts to create a well-functioning child welfare system: a) federal waivers of current funding restrictions; and b) changes to Title IV-E itself.

1. Title IV-E Waivers

To give states flexibility to design innovative child welfare programs, the Department of Health and Human Services can approve demonstration projects requiring waivers of requirements in Title IV-E. To date, state demonstration projects have sought to implement:

- Subsidized guardianships, which provide IV-E-subsidized stipends to relatives and foster parents of foster children for whom neither adoption nor reunification is an option.
- More flexible use of Title IV-E funds, but with a capped IV-E allotment.
- Enhanced services for substance-abusing caretakers using IV-E funds.
- Managed care payment systems for specific child welfare services or for specific child welfare populations.
- Use of IV-E funds to enhance intensive services options, such as increasing the variety and availability of services that could reduce out-of-home placements and achieve safety and permanence for children.
- Use of IV-E funds to promote adoption of children with special needs who are in the state foster care system through enhanced training and post-adoption support services.
- Use of IV-E funds to enhanced training of public and private agency child welfare staff.

2. Amending Federal Title IV-E Regulations to Allow More Flexible Uses of Title IV-E Funds

Greater flexibility in the allowable uses of Title IV-E funds could markedly enhance child welfare services. The Pew Commission on Children in Foster Care – after a year of intensive work by noted child welfare experts – made a series of inter-related recommendations on needed changes in the federal financing of child welfare services that would enable this flexibility. Among the financing recommendations that would likely benefit Connecticut:

- Expanding the entitlement to federal financial reimbursement for foster care maintenance and adoption assistance to *all* children in care, by eliminating current family income and family relationship requirements.
- Extending federal financial reimbursement to children who leave foster care to live with a permanent legal guardian (like a grandparent) when a court has determined that neither reunification nor adoption are feasible permanence options. This recommendation would provide 50% federal reimbursement for children in CT's currently state-funded subsidized guardianship program. .
- Allowing states to “reinvest” federal and state funds that *would have been* spent on foster care on other child welfare services if the services can safely reduce the use of foster care.

Re-Allocation Of Other Federal Funding

As multiple reports have advised, much can be done to integrate social and health services through the blending and braiding of state and federal funds, despite multiple restrictions in federal funding law including on the allowable specific uses of federal funds, on eligibility, and on the sharing of information among agencies.

Careening Toward Crisis identified some of the questionable budget choices that have been made in the current use of federal and state dollars, such as the increasing reliance on TANF funds in DCF's budget rather than use of TANF funds by DSS to provide services that could *avert* referrals to DCF in the first instance (e.g., housing, heat, transportation, child care) and the questionable use of Title IV-B, part 1 funds to pay for DCF staff costs at the Connecticut Children's Place.

Re-financing some of these services through Medicaid or Title IV-E could free these funds for uses that are more consistent with Congress' original intentions, including the prevention of child abuse and neglect, supports for families to reduce referrals to DCF, and financial and treatment assistance to families so that children can be returned home safely whenever possible.

The course that Connecticut currently is on – to cut funding for programs and services that reduce child abuse and neglect and that support at risk families, while increasing funding for foster and residential care and DCF staffing – is a course that is not only fiscally imprudent, but not optimally helpful to families.

It is time for DSS and DCF to implement more of the proposals that have been made by experts since the late 1980s to change how Connecticut finances child welfare services.

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